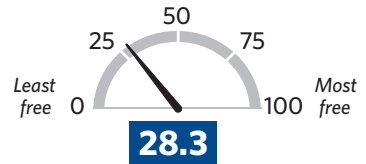


CUBA

Economic Freedom Score



World Rank: **177** Regional Rank: **29**

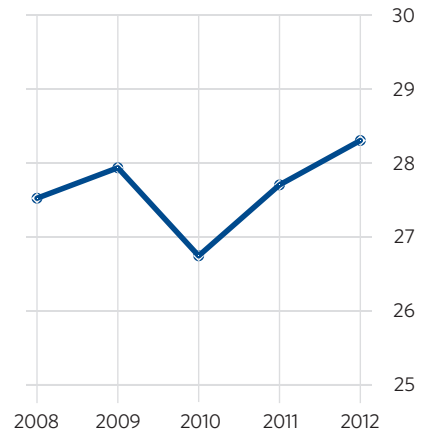
Cuba's economic freedom score is 28.3, making its economy one of the world's least free. Its overall score is marginally higher than last year, with declines in freedom from corruption and monetary freedom offset by a gain in fiscal freedom. Cuba is ranked last of 29 countries in the South and Central America/Caribbean region, and its overall score is significantly lower than the regional average.

Cuba's inefficient state-run economy performs very poorly in the *Index*, with component scores far below world averages in many categories. The foundations of economic freedom are poorly laid and ill defended. The absence of an independent and fair judiciary weakens the rule of law, and widespread corruption affects most transactions. No courts are free of political interference, and private property is strictly regulated.

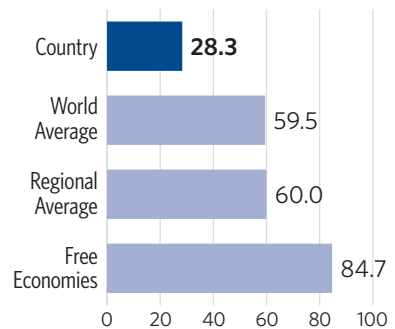
As the largest source of employment, the government sector accounts for more than 80 percent of all jobs. The government has eased some rules on private employment in an effort to reshape the economy and improve efficiency, but many details are obscure. The private sector has long been shackled with heavy regulations and tight state control. Open-market policies are not in place to spur dynamic growth in trade and investment.

BACKGROUND: A one-party Communist state, Cuba depends heavily on external assistance (chiefly oil provided by Venezuela's Hugo Chávez and remittances from Cuban émigrés) and a captive labor force. There are no free elections, free speech, or property rights. Fidel Castro's 80-year-old younger brother, Raúl, is head of state and defense minister and in April 2011 became boss of the Cuban Communist Party (PCC). Official figures on per-capita GDP may not reflect reality. The agriculture sector is in shambles, mining is depressed, and tourism revenue has been falling. A watered-down reform package endorsed by the PCC in April 2011 trims the number of state workers and permits limited private enterprise, but the economy remains resolutely socialist/Communist.

Freedom Trend



Country Comparisons



Quick Facts

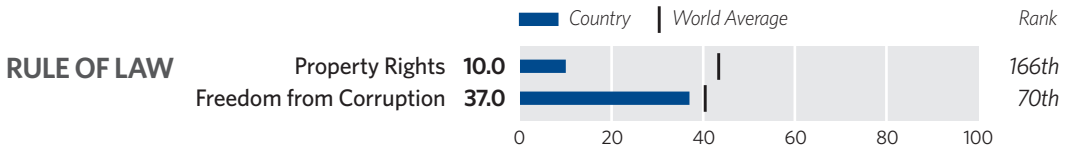
Population: 11.2 million
GDP (PPP): \$112.4 billion
 2.1 % growth in 2010
 5-year compound annual growth n/a
 \$9,855 per capita
Unemployment: n/a
Inflation (CPI): 2.9%
FDI Inflow: \$85.5 million
Public Debt: 34.3% of GDP

How Do We Measure Economic Freedom?

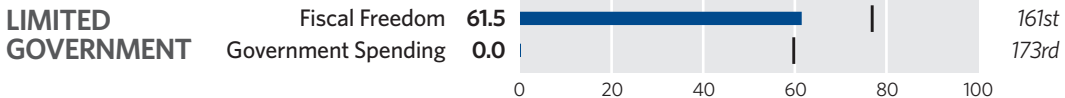
See page 455 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2010 data unless otherwise noted.
 Data compiled as of September 2011.

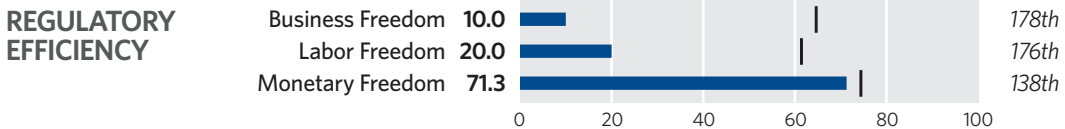
THE TEN ECONOMIC FREEDOMS



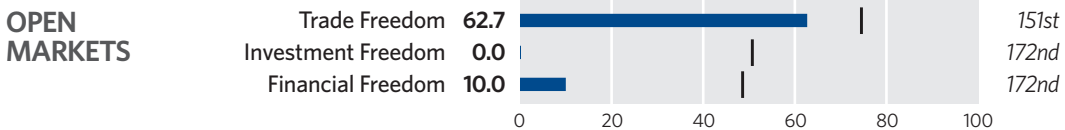
Private property rights are not strongly respected, and the judicial system remains vulnerable to political interference. Cuban citizens may own land and productive capital for farming and self-employment. The constitution subordinates the courts to the National Assembly of People’s Power and the Council of State. Corruption remains pervasive in many parts of the economy, undermining equity and respect for the rule of law.



Cuba has an income tax rate of 50 percent. The top corporate tax rate is 30 percent (35 percent for companies with entirely foreign capital). Other taxes include a tax on property transfers and a sales tax, with overall tax revenue estimated to be over 20 percent of GDP. Taxation is erratic and not effectively administered. Inefficient public-sector spending remains high, reaching over 70 percent of total domestic output.



Regulatory efficiency remains poor, and private entrepreneurship is limited. The application of regulations is inconsistent and non-transparent. The state-controlled labor market has resulted in a large informal sector. In an attempt to reduce labor market rigidity, the government implemented a measure to allow workers to hold more than one job. Monetary stability is vulnerable to state interference, with prices subject to controls.



The trade regime, with high tariff barriers, remains largely non-transparent, and imports and exports are dominated by the state. Foreign investment must be approved by the government, which exercises extensive control of economic activity. The financial sector remains regulated, and access to credit for entrepreneurial activity is seriously impeded by the shallowness of the financial market. The state maintains strict capital and exchange controls.

Score Changes

| RULE OF LAW | | LIMITED GOVERNMENT | | REGULATORY EFFICIENCY | | OPEN MARKETS | |
|-------------------------|------|---------------------|-------|-----------------------|------|--------------------|------|
| Property Rights | 0 | Fiscal Freedom | +12.5 | Business Freedom | 0 | Trade Freedom | +0.5 |
| Freedom from Corruption | -7.0 | Government Spending | 0 | Labor Freedom | 0 | Investment Freedom | 0 |
| | | | | Monetary Freedom | -0.3 | Financial Freedom | 0 |